

Message Text

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ACTION EUR-12

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USDOC FOR BEWT STROH

CONTAINS PROPRIETARY INFORMATION

E.O. 11652: NA
TAGS: BPRO RO
SUBJECT: UNION CARBIDE BID FOR ROMANIAN POLYETHYLENE PLANT

REF: 75 BUCHAREST 2393

1. ALTHOUGH PRODUCT EXPORT RESTRICTIONS PROBLEM OF UNION CARBIDE (UC) BAD HAS BEEN RESOLVED, WE UNDERSTAND THAT ROMCHIM DIRECTOR PATRUBANI HAS INDICATED THAT UC'S LICENSE FEE OF SOME EIGHT AND ONE HALF MILLION DOLLARS IS TOO HIGH TO WIN COMPETITION. PART OF THE PROBLEM LIES IN THE FACT THAT UC HAS LICENSED IDENTICAL TECHNOLOGY IN EASTERN EUROPE (NOTABLY CZECHOSLOVAKIA) AT A MUCH LOWER PRICE. ACCORDING TO UC EUROPE LICENSING MANAGER NORBERT KAHLEN, INCREASE IN CU'S LICENSE FEE IN EARLY 1975 RESULTED FROM A DECISION BY UC MANAGEMENT NEW YORK TO PRICE OVERSEAS LICENSES AT SAME LEVEL AS NEWLY INCREASED PRICES IN U.S. GULF OIL BOUGHT UC POLYETHYLENE TECHNOLOGY AT THIS NEW PRICE, AND THERE MAY BE AN UNDERSTANDING WITH GULF THAT THE TECHNOLOGY WILL NOT BE TRANSFERRED AT A LOWER PRICE TO OTHER CUSTOMERS.

2. WHILE WE DO NOT WISH TO CHALLENGE INTERNAL CORPORATION POLICY OR TO SUGGEST THAT AS A MATTER OF PRINCIPLE U.S. TECHNOLOGY SHOULD BE SOLD MORE CHEAPLY ABROAD THAN AT HOME, IRERRE ARE TWO ASPECTS OF THE ROMANIAN MARKET WHICH EMBASSY BELIEVES SHOULD BE BROUGHT
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TO THE ATTENTION OF UC NEW YORK OFFICIALS, AS WE FEEL THAT CURRENT

PRICE LEVEL WILL CAUSE UC TO LOSE THE POLYETHYLENE CONTRACT FOR THIS PLANT AND PERHAPS SECOND AND THIRD PLANTS PLANNED IN ROMANIA.

(A) EMBASSY UNDERSTANDS THAT UC'S TECHNOLOGY PRODUCES A HIGHER QUALITY PROJECT THAN DO COMPETING TECHNOLOGIES. BUT IN KAHLEN'S VIEW, IF ROMANIA EXPORTS POLYETHYLENE FROM THIS PLANT, IT IS NOT LIKELY TO BE ABLE TO OBTAIN THE FULL PREMIUM FOR HIGHER QUALITY, AND IN FACT MUCH OF THE PRODUCT IS EXPECTED TO BE USED INTERNALLY IN ROMANIA WHERE QUALITY STANDARDS ARE RELATIVELY UNIMPORTANT. (B) ANOTHER FEATURE WHICH MAKES UC TECHNOLOGY MORE VALUABLE IN A MARKET ECONOMY IS THE REDUCTION IT PERMITS IN OVERALL PROJECT COSTS. WE BELIEVE, HOWEVER, THAT HARD CURRENCY COSTS OF THE COMPETING BIDS WILL BE MORE DECISIVE IN ROMANIA, WHERE MOST OF THE PROJECT COSTS (STEEL FABRICATION, PIPES, AND DETAILED ENGINEERING) WILL BE MET BY GOR FROM DOMESTIC RESOURCES AND WILL NOT RESULT IN HARD CURRENCY OUTLAYS.

3. IF USDOC AGREES THAT IT IS APPROPRIATE TO BRING THESE FACTORS TO THE ATTENTION OF UC MANAGEMENT, SUGGEST THAT CONTACT BE MADE WITH MEL DUNCAN, VICE PRESIDENT OF UC EUROPE (WITH RESPONSIBILITY FOR EASTERN EUROPE), WHO IS AT UC'S 270 PARK AVENUE, NEW YORK ADDRESS. KAHLEN SUGGESTS THAT HIS OWN IMMEDIATE BOSS, W.T. HIGGINS (MANAGER FOR MARKETING TECHNOLOGY) PROBABLY UNDERSTANDS THESE ARGUMENTS BUT HAS BEEN UNABLE TO CONVINCE HIGHER MANAGEMENT. DUNCAN IS LIKELY TO BE SYMPATHETIC - OR AT LEAST NOT OFFENDED BY USG APPROACH - AND MAY HAVE SOME INFLUENCE ON THE DECISION. DISCRETION IS NEEDED IN CONTACTING UC, AS SOME OFFICIALS IN UC ARE COMMITTED TO POLICY OF HIGHER PRICE FOR LICENSING TECHNOLOGY AND MIGHT RESENT USG KIBITIZING.

4. AS USDOC PROBABLY AWARE, AT LEAST ONE OTHER U.S. FIRM (PHILLIPS PETROLEUM) IS BIDDING ON THIS PROJECT. EMBASSY IS RECOMMENDING THAT UC BE CONTACTED ONLY BECAUSE WE GATHER THERE MAY BE SOME MIS-UNDERSTANDING OF THE PECULIARITIES OF THE ROMANIAN MARKET. BARNES

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